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The Director of Central Intelligence

Washington, D.C. 20505

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National Intelligence Council

NIC #04876/87-1
30 November 1987

MEMORANDUM FOR: Distribution

FROM: Marten van Heuven
National Intelligence Officer for Europe

SUBJECT: November Warning and Forecast Report

1. Attached is our report to the DCI based on the Warning Meeting held on 18 November 1987.

2. Next month's warning meeting will be held on Wednesday, 16 December, at 1025 in Room 7E62 CIA Headquarters. Please telephone attendance plans to [REDACTED] and have clearances certified by NOON Monday, 14 December.

3. I encourage you to phone in suggestions for the agenda and names of volunteers to make opening presentations. It would be helpful to have your comments for the next meeting by COB Tuesday, 8 December.

Marten van Heuven

Attachment



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The Director of Central Intelligence

Washington, D.C. 20505

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National Intelligence Council

NIC #04876/87-2
30 November 1987

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director for Central Intelligence

VIA: National Intelligence Officer for Warning

FROM: Marten van Heuven
National Intelligence Officer for Europe

SUBJECT: November Warning and Forecast Report

I. MAIN DISCUSSION TOPICSA. PORTUGAL: PRESSURE FOR REVIEWING THE BASING AGREEMENT

1. Discussion. The Portuguese government is committed to a mid-term review of the US basing agreement but is still weighing its options as to how to proceed. One option is for informal discussions in a low key; this approach would fit the generally nonconfrontational style the Portuguese favor and allow domestic policies to be given undivided attention. Prime Minister Cavaco Silva may opt for a more formal renegotiation, however: he has criticized the Socialist coalition for failing to drive a hard bargain the last time around, and he may judge that his party's new parliamentary majority gives him added clout.

2. Portuguese leaders across the political spectrum (excluding the Communists) support the security relationship with the US, but there is also a widely shared belief that the US could do more for Portugal than it does. And a perceived slight such as the long absence of a US ambassador tends to support the view that the US takes Portugal for granted.

3. Warning Notice. Cavaco's lack of negotiating experience could introduce uncertainties into the process. And his New York Times interview may have taught him that standing up to the US plays well at home.

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B. YUGOSLAVIA: NEW SIGNS OF INSTABILITY

1. Discussion. Rising tensions between native Albanians and the minority Serbian population in Kosovo, coupled with shrill nationalistic rhetoric, persuaded federal authorities to dispatch special police units. Their presence was billed as a general peace-keeping mission, rather than one aimed at either Serbs or Albanians; and for now the mission seems a success. Continued purges of the Kosovo leadership and factionalism within the Serbian leadership, however, are likely to keep tensions at a high level.

2. Meanwhile, worsening economic conditions have taken their toll on the credibility of the Yugoslav leadership, and calls have increased for Prime Minister Mikulic's resignation. Having patched together an uneasy compromise on economic policy with the Slovenian and Croatian leaderships, Mikulic next faces a test with Western creditors. By the end of December the Yugoslavs must reach some debt rescheduling agreement with the IMF and other creditors; the most likely outcome is for an Extended Fund Facility, providing for the conditionality on which Western creditors will insist while allowing Mikulic to save face domestically. (He had threatened to resign rather than accept an INF standby; the EFF could stipulate the same conditions as a standby, but without the stigma that term has acquired in Yugoslavia.) Even if the Yugoslavs pass this immediate financial hurdle, the economic outlook is for rampant inflation and rising unemployment; and potential unrest among workers will effectively block implementation of austerity measures and an economic recovery program.

3. Warning Notice. Yugoslavia has shown surprising resiliency in the face of worsening economic conditions and ethnic rivalries, but the capacity of the system to survive more serious challenges is increasingly suspect. The departure of Mikulic -- through resignation or removal -- would further undermine political cohesion and invite heightened ethnic conflicts over a successor government.

-- Kosovo remains the most worrying flash point: an eruption of serious violence could trigger an escalating cycle of repression and reaction, ultimately overwhelming the capacity of local and federal police units. Should the Serbian leadership push for tougher reprisals, a major constitutional confrontation could ensue.

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Marten van Heuven

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